

5/03

18 February 2003

PRESS NOTICE

DETAILS OF GILT AUCTION ON WEDNESDAY 26 FEBRUARY 2003

AMOUNT: £2,750 million nominal

STOCK: 4¼% TREASURY STOCK 2036

MATURITY DATE: 7 MARCH 2036

INTEREST DATES: 7 MARCH/7 SEPTEMBER

AUCTION DATE: 26 FEBRUARY 2003

SETTLEMENT DATE: 27 FEBRUARY 2003

The United Kingdom Debt Management Office ("the DMO") announces the issue by Her Majesty's Treasury of £2,750 million nominal of 4¼% Treasury Stock 2036, for auction on a fully-paid bid-price basis on Wednesday, 26 February 2003 for settlement on Thursday, 27 February 2003. It is intended that, once at least £5,000 million nominal of 4¼% Treasury Stock 2036 has been issued, it will become strippable in accordance with the terms of the Information Memorandum, published by the DMO, relating to the Issue, Stripping and Reconstitution of British Government Stock dated July 2000, as amended by the DMO's notice of 2 July 2002, (the "Information Memorandum"). The DMO will announce the SEDOL and ISIN codes for the new principal and coupon strips in due course.

Interest on 4¼% Treasury Stock 2036 will be payable half-yearly on 7 March and 7 September. Interest on the stock will accrue from 27 February 2003, the issue date of the stock, and the first interest payment will be due on 7 September 2003 at the rate of £2.218923 per £100 nominal of stock. The stock will be repayable at par on 7 March 2036.

Interest payments will be paid to all holders of this stock without deduction of United Kingdom income tax. However, holders may, on application to the Bank of England's Registrar's



Department, elect to have United Kingdom income tax deducted from interest payments should they so wish.

Under Rule 7265 of the London Stock Exchange, dealings in the unstripped 4¼% Treasury Stock 2036 on a "when-issued" basis may be conducted from the time of this announcement until the close of business on Wednesday, 26 February 2003. The SEDOL and ISIN codes to be used for "when-issued" trading and following the stock's issue on 27 February 2003 are 3-245-239 and GB0032452392 respectively. In relation to "when-issued" trading, the TIDM code "AUC" should be used for trade reporting purposes.

Bids may be made on either a competitive or a non-competitive basis. Details of the bidding procedures are set out in the prospectus and in the Information Memorandum.

The prospectus for competitive bids and non-competitive bids will be advertised in the Press. Application forms must be sent to the Bank of England Registrar's Department, New Issues Team, who are acting on behalf of the DMO, at the following address; Southgate House, Southgate Street, Gloucester, GL1 1UW to arrive not later than 10.00 am on Wednesday, 26 February 2003; or lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than 10.00 am on Wednesday, 26 February 2003.

Gilt-edged market makers may bid by telephone to the DMO not later than 10.30 am on Wednesday, 26 February 2003.

NOTE TO EDITORS

The remit to the DMO and the auction calendar for the financial year 2002-03 were set out in the Debt & Reserves Management Report 2002-03, issued by HM Treasury on 14 March 2002 and updated following the Budget on 17 April 2002. The remit was further revised in the Pre Budget Report on 27 November 2002 and planned gilt sales were increased to £26.2 billion.

The auction announced today is the twelfth of the 2002-03 remit and the seventh of conventional stock. It is the first auction of 4¼% Treasury Stock 2036, which is the first new long-dated conventional gilt to be issued since 5% Treasury Stock 2025 in September 2001. Long conventional gilt sales of £7.7 billion (cash) are planned in 2002-03.

To date, outright gilt sales under the remit are £21.0 billion (cash) relative to the new target of £26.2 billion.



The new gilt will not pay a coupon on 7 March 2003 but will pay a first coupon on 7 September 2003, which will be slightly larger than the normal semi-annual coupon to account for the additional interest from 27 February 2003 to 7 March 2003. The value of the coupon payable on 7 September 2003 (a “long” first coupon) will be £2.218923 per £100 nominal of stock. The formula for calculating accrued interest during the “long” first coupon period can be found in Section Two of the DMO’s paper “Formulae for Calculating Gilt Prices from Yields”, updated on 15 January 2002 (www.dmo.gov.uk/gilts/public/technical/yldeqns_v2.pdf). Examples for the calculation of accrued interest during a “long” first coupon can be found in the DMO’s Operational Circular “Accrued Interest Calculations on 4¼% Treasury Stock 2032 until 7 December 2000” issued on 16 May 2000 (www.dmo.gov.uk/gilts/public/technical/opcirc1605.pdf).

Copies of the Information Memorandum are available from the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD (telephone 020-7862 6500; fax 020-7862 6509) and the Bank of England, Registrar’s Department, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW (telephone 01452 398080; fax 01452 398020).

This press notice together with the prospectus for the issue of the stock will be appearing on the DMO’s web site at: www.dmo.gov.uk.

